

PUBLIC DISCLOSURE

August 13, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NORTHAMPTON COOPERATIVE BANK

**67 KING STREET
NORTHAMPTON, MA 01060**

**DIVISION OF BANKS
1000 Washington Street
Boston, MA 02118**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
--

TABLE OF CONTENTS

I.	General Information.....	1
II.	Institution CRA Rating	
	a. Overall Rating	1
	b. Scope of the Examination	2
	c. Description of the Institution.....	3
	d. Description of the Assessment Area.....	4
	e. Conclusions Regarding Performance Tests	
III.	Appendices	
	Appendix A: General Definitions	A-1

GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Northampton Co-operative Bank (or the “Bank”)** prepared by the Division, the institution's supervisory agency as of August 13, 2012. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution’s branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Small Bank CRA evaluation procedures were utilized consisting of a review of the five lending criteria’s: Loan-to-Deposit (“LTD”) Analysis; Comparison of Credit Extended Inside and Outside of the Assessment Area; Distribution of Credit Among Different Income Levels; Geographic Distribution of Loans; and Review of Complaints and Fair Lending Policies and Practices. The following summarizes the Bank’s performance.

- The Bank’s averaged loan-to-deposit ratio (68.3 percent) is reasonable, given the institution’s size, financial condition, and assessment area credit needs.
- A substantial majority of loans (95.3 percent) and other lending related activities are in the institution’s assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income).
- The geographic distribution of loans reflects an adequate dispersion throughout the assessment area.
- The Bank has not received any CRA-related complaints since the last CRA evaluation.

SCOPE OF THE EXAMINATION

The CRA evaluation considered activity since the Bank's CRA evaluation of May 19, 2008. The applicable timeframes for the loan product line reviews are described in the paragraphs that follow.

Northampton Co-operative Bank is primarily a residential lender. Home mortgage lending data analyzed included full-year data from January 1, 2010 through December 31, 2011. Information concerning home mortgage lending was derived from the Loan Application Registers ("LARs") maintained by the Bank pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase and home improvement loans, including re-financings, of one-to four-family and multifamily (five or more units) properties. The evaluation emphasizes the Bank's home mortgage lending performance in 2010 as this is the most recent year for which aggregate lending data is available. The Bank's home mortgage lending performance is compared with aggregate HMDA lending data (aggregate lending data), which is a measure of home mortgage loan demand. Aggregate lending data reflects the lending activity of all HMDA reporting lenders that originated loans in the Bank's assessment areas. The Bank's home mortgage lending performance is also compared with demographic data. Demographic information is from the 2000 U.S. Census unless otherwise noted. Additionally, the Bank's home mortgage lending for 2011 was analyzed and is referenced in the evaluation to illustrate trends in the Bank's lending data.

PERFORMANCE CONTEXT

Description of Institution

Northampton Co-operative Bank was formed in 1889 and is a mutually owned, state-chartered community bank headquartered in Northampton. The Bank has no holding company, but does operate two wholly owned subsidiaries, neither of which offers any products or services to the general public. NCB Security Corporation, Inc and NCB Security Corporation II were established for buying, selling and holding securities. In addition to its main office located at 67 King Street in Northampton, a middle-income census tract, the Bank operates three other full-service branch offices, two are located in Amherst (a new branch in Amherst opened on March 29, 2010), both upper-income census tracts; and the third branch is located in Florence, a village of Northampton, a middle-income census tract. The Bank does have a branch closing policy.

As of June 30, 2012, the Bank had total assets of \$162 million and total deposits of \$133 million. Total loans were \$86 million and represented 53.0 percent of total assets. Since the last CRA evaluation, the Bank's assets have grown 4.0 percent, net loans have decreased 11.8 percent and deposits have increased 8.9 percent.

Table 1 illustrates the current distribution of the Bank's loan portfolio.

Table 1 Northampton Cooperative Bank Loan Distribution as of June 30, 2012		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans (%)
Construction, Land and Other Land Loans	879	1.0
1-4 Family Residential	73,052	85.0
Multi-Family (5 or more) Residential	1,907	2.2
Commercial	9,501	11.0
Total Real Estate Loans	85,339	99.2
Commercial and Industrial	610	0.7
Consumer	204	0.1
Less unearned income	(170)	0.0
Total Loans	85,983	100.0

Source: FFIEC Call Report June 30, 2012

The Bank is primarily a residential lender with more than half of the loan portfolio secured by residential properties. As noted in Table 1, approximately 85.0 percent of the loans are secured by residential one to four-family properties, followed by multi-family residential loans at 2.2 percent and construction and land development loans at 1.0 percent. Loans secured by commercial real estate accounted for 11.0 percent of the loan portfolio, while commercial and industrial loans represent 0.7 percent of loans. Total real estate loans account for 99.2 percent of the total loan portfolio. In discussions with the Bank's management, it was noted that the Bank is continuing to focus its lending efforts on residential lending.

Northampton Co-operative Bank is a full-service financial institution that offers a wide variety of products and services. The Bank offers residential and commercial mortgages, home equity loans and automobile loans. The Bank also offers checking accounts, statement savings, passbook savings, money market accounts, business checking accounts, business money marketing accounts, Individual Retirement Accounts (IRA), certificates of deposit, free

telephone banking via 24-hour access line, on-line banking, on-line bill pay, night deposit services, wire transfers, direct deposit and ATM/debit cards. The Bank maintains a website at www.northamptoncoop.com.

All offices and drive through locations are open Monday through Friday, 8:30 a.m. to 5:00 p.m. and Saturday 9:00 a.m. to noon. The Bank maintains three drive-through automated teller machines (ATMs) and one walk-up ATM. The ATM is connected to the Money Pass network, an ATM surcharge-free alliance.

The Bank faces strong competition from other financial institutions which originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank are Florence Savings Bank, Easthampton Savings Bank, PeoplesUnited Bank, Greenfield Savings Bank, and UMass Five College Federal Credit Union.

The Federal Reserve Bank of Boston and the Division last evaluated the institution concurrently on May 19, 2008 and assigned a rating of "Satisfactory."

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to meet the assessment area's credit needs remains strong.

Description of the Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries (unless permitted otherwise by the regulation), (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

Northampton Co-operative Bank has defined its assessment area to include 29 cities and towns. The following cities and towns are: Amherst, Belchertown, Chesterfield, Cummington, Easthampton, Goshen, Granby, Hadley, Hatfield, Huntington, Middlefield, Northampton, Pelham, Plainfield, South Hadley, Southampton, Ware, Westhampton, Williamsburg and Worthington all located in Hampshire County. Ashfield, Buckland, Conway, Leverett, New Salem, Shelburne, Shutesbury, Sunderland and Whately, all located in Franklin County. Hampshire and Franklin County are included in the Springfield MSA. Hampshire County is located in the western part of Massachusetts in what is known as the Pioneer Valley area. Hampshire County was formed in 1662 from Middlesex County. Franklin County was created on June 24, 1811 from the northern third of Hampshire County. Today Hampshire County encompasses many types of communities, from rural towns to a small city, and many people, from college students to farmers to suburbanites. Hampshire County includes five colleges: Amherst College, Hampshire College, Mount Holyoke College, Smith College and the University of Massachusetts. According to the 2000 census data the college population was 9.6 percent.

Refer to Table 2 below for pertinent demographic information concerning the assessment area:

Table 2 Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (census tracts)	35		5.7	45.7	45.7
Population by Geography	169,661		8.0	53.8	38.2
Owner-Occupied Housing by Geography	41,320		1.8	57.8	40.4
Family Distribution by Income Level	38,323	14.7	15.8	23.5	46.0
Businesses by Geographies	15,878		3.6	59.1	37.3
Distribution of Low and Moderate Income Families throughout AA Geographies	11,690		5.2	65.8	29.0
Median Family Income (MFI)		\$58,024	Median Housing Value		\$147,068
HUD Adjusted Median Family Income for 2010		\$67,400	Unemployment Rate		5.0%
HUD Adjusted Median Family Income for 2011		\$69,300	(2000 US Census)		
Families Below Poverty Level		4.9%	June 2012 Bureau of		6.3%
Households Below Poverty Level		9.6%	Labor Statistics		

Source: PCI Corporation CRA Wiz; 2000 US Census Data; HUD Updated MFI for 2010 and 2011;
2011 Business Geo-demographic Data

As the data in Table 2 shows, the area is comprised of 35 census tracts, of which 2 or 5.7 percent are moderate-income; 16 or 45.7 percent are middle-income; and 16 or 45.7 percent are upper-income. There are no low-income census tracts and one or 2.9 percent is N/A. The N/A census tract is the University of Massachusetts, located in Amherst. The moderate-income census tracts are located in Amherst and Ware.

The assessment area has a total population of 169,661 residing in 38,323 family households. Of all family households in the area 14.7 percent are low-income; 15.8 percent are moderate-income; 23.5 percent are middle-income; 46.0 percent are upper-income; and 4.9 percent are families below the poverty level. A closer look at the households reveals that, of the 62,931 households, 12,463 or 19.8 percent are low-income; 9,255 or 14.7 percent are moderate-income; 6,057 or 9.6 percent are households that are below the poverty level and 2.4 percent of households receive some form of public assistance. Living below the poverty level typically indicates a reduced ability to qualify for a mortgage loan, thereby reducing a financial institution's ability to originate residential loan products to lower-income individuals.

Income categories for census tracts are defined in Appendix A of this evaluation. Based on the 2000 U.S. Census, the Median Family Income ("MFI") for the assessment area is \$58,024. However, the Department of Housing and Urban Development ("HUD") annually adjusts the MFI based on estimates. As noted in the table above, the adjusted MFI, as determined by HUD, for 2010 is \$67,400 and for and 2011 is \$69,300. Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA or MD in which the tract is located.

The assessment area consists of 66,136 total housing units, of which 41,320 or 62.5 percent are owner-occupied, 21,645 or 32.7 percent are rental units and 3,171 or 4.8 percent are vacant units. Of the 41,320 owner-occupied housing units, 721 or 1.8 percent are in the moderate-income census tracts, 23,888 or 57.8 percent are in the middle-income census tracts while 16,711 or 40.4 percent are

in upper-income census tracts. The median housing value in 2000 for the assessment area was \$147,068, and the median age of the housing stock was 37 years. Like much of New England, the area's housing prices, until recently, saw dramatic increases in value since 2000. The average median sales price for housing has dropped significantly over the past few years. Recent figures from the *Banker and Tradesman* show the area's median home prices in 2011 ranged from a low of \$167,500 in Ware to a high of \$352,900 in Amherst. As of June 30, 2012, the median price ranged from a low of \$80,288 in Cummington to a high of \$304,500 in Hadley. Despite this recent price decline, home prices are still considered high and largely out of reach for many low- and moderate-income borrowers.

Data obtained from the 2011 Business Geo-demographic Data show there are 15,878 businesses in the assessment area, of which 68.9 percent have gross annual revenues of \$1 million or less, 2.8 percent have gross annual revenues greater than \$1 million, and the remaining 28.3 percent have unknown revenues. Of total businesses in the assessment area, 3.6 percent are in moderate-income census tracts, 59.1 percent are in middle-income tracts, and 37.3 percent are in upper-income tracts. The highest proportion of these business establishments are engaged in the services industry (45.4 percent). In terms of employees, approximately 63.8 percent of the area's businesses employ four or fewer people. Included among the largest employers in the Bank's assessment area are CS&S Wholesale Grocers, Inc., Cooley Dickinson Hospital, Smith College, Yankee Candle, Amherst College, Berry Plastics and Delivery Express.

The unemployment rate (not seasonally adjusted) for the Springfield MSA is 7.5 percent and statewide for Massachusetts is 6.3 percent according to June 2012 statistics gathered from the Bureau of Labor Statistics. This represents a decrease as compared to the annual percentage of 2010 and 2011, where the unemployment rate in Massachusetts was 8.3 percent and 7.4 percent, respectively. As of June 2012, the unemployment statistics for some of the cities and towns in the assessment area per the Massachusetts Labor and Workforce Development were: Amherst 6.4 percent, Leverett 4.2 percent, Northampton 5.1 percent, Pelham 5.2 percent, Shelburne 7.2 percent Southampton 4.4 percent and Ware 7.5 percent.

Community Contact

As part of the evaluation process, third parties active in community affairs, are contacted to assist in assessing the general banking needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and service needs of the communities, and what further opportunities, if any, are available. For purposes of this evaluation, a community contact was conducted with a local non-profit community development organization serving Northampton, Easthampton, Amherst, and Hadley. The organization provides financial education to potential homeowners and small business owners, assists first-time home buyers in purchasing their own homes, develops affordable housing for those in need, and makes home rehabilitation loans. While the contact was complimentary of the support received by financial institutions in the area, the contact believes more publicizing of current flexible lending programs for the purchase, construction, or refinance of a residence would be helpful. The contact also noted the area's small businesses also require commercial credit options, as well as technical assistance, in light of the current economic conditions in the communities being served by the organization. Overall, the contact was pleased with the responsiveness of the local banks to the areas credit needs.

Based on the area's demographics and the insights gained through discussions with management and the community contacts, the assessment area has no one primary credit need. The area's residents need a variety of retail loan products to meet personal needs and an array of home financing programs for the purchase, construction, improvement, or refinance of a residence. The area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.

PERFORMANCE CRITERIA

1. LOAN-TO-DEPOSIT (LTD) ANALYSIS

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The Bank's net LTD ratio is 63.9 percent as of June 30, 2012. A comparative analysis of the Bank's quarterly net LTD ratios for the last 17 quarters since the prior CRA evaluation was conducted. The quarters reviewed include those ending June 30, 2008 through June 30, 2012. These ratios are based on total loans, net of unearned income and net of the allowance for loan and lease losses, as a percentage of total deposits.

The Bank's average quarterly net LTD ratio over the period reviewed was 68.3 percent and is considered reasonable. The net LTD ratio for this period has fluctuated over the last 17 quarters from a high of 82.5 percent (September 2008) to a low of 61.7 percent (September 2011). During this timeframe, net loans have decreased 11.8 percent and deposits have increased 8.9 percent.

For comparison purposes, the Bank's average net LTD ratio was compared with the average net LTD ratios of four similarly situated institutions. These four institutions are similar in terms of asset size, financial condition, and loan portfolio composition for the same time period.

Table 3		
Peer Group Loan-to-Deposit Comparison		
Bank Name	Total Assets \$(000) as of 6/30/12	Average Net LTD Ratio 6/30/08 through 6/30/12
Monson Savings Bank	246,207	88.1
North Brookfield Savings Bank	198,624	65.5
Northampton Cooperative Bank	162,317	68.3
Barre Savings Bank	145,321	103.6
Nuvo Bank and Trust Company	100,602	93.0

Source: FFIEC Report of Condition and Income (Call Reports)

As shown in Table 3, the similarly situated institutions' average net LTD ratios ranged between 65.5 percent and 103.6 percent. At 68.3 percent, the Bank's average net LTD is higher than one of the similarly situated institutions and lower than the other similarly situated financial institutions.

The Bank has experienced a decline in net LTD ratios over the last 17 quarters due to an increase in saving which has shown to be a trend because of economic times. The Bank is also selling more loans in the secondary market. Since the last examination, the Bank sold 288 loans totaling \$57 million. The loans were sold to Fannie Mae, Federal Loan Home Bank and MassHousing. Part of the loan portfolio is funded by monies borrowed from the Federal Home Loan Bank. This, in addition to the Bank's LTD ratio, demonstrates its willingness to reinvest in the community through its lending services.

The 2010 market share report pertaining to loans made to borrowers in the assessment area shows Northampton Co-operative Bank ranked tenth with 161 applications and a market share of 2.6 percent. Florence Savings Bank ranked first with 617 applications or 9.9 percent; Bank of

America ranked second with 548 applications or 8.8 percent; Easthampton Savings Bank ranked third with 445 applications or 7.1 percent; and PeoplesBank ranked fourth with 334 applications or 5.3 percent.

Based on the above information and the Bank's capacity to lend, the capacity of other similarly-situated banks, the types of loans available at the Bank, and the lending opportunities available, the Bank's loan-to-deposit ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

This performance criterion determines what percentage of the Bank's lending occurs within the Bank's assessment area and evaluates its appropriateness. Based on a review of home loan data, a substantial majority of the Bank's lending activity occurs within the institution's assessment area.

Table 4 illustrates the Bank's record of extending residential mortgage loans inside and outside the assessment area by number and dollar amount over the period reviewed.

Table 4 Distribution of HMDA Loans Inside and Outside of the Assessment Area										
Year	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
2010	161	94.2	10	5.8	171	30,390	94.9	1,645	5.1	32,035
2011	121	96.8	4	3.2	125	23,686	98.0	492	2.0	24,178
Total	282	95.3	14	4.7	296	54,076	96.2	2,137	3.8	56,213

Source: 2010 and 2011 HMDA LARs

As shown in Table 4, the Bank originated 296 HMDA reportable loans totaling \$56.2 million in the assessment area during the evaluation period. This represents 95.3 percent of the total number of home loans originated by the Bank and 96.2 percent by dollar volume. The distribution of loans by number bears more weight on the Bank's rating than the distribution by dollar amount, as the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans.

Based on the Bank's level of lending in the assessment area, the Bank's responsiveness to credit needs is considered to exceed the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Bank's HMDA reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Springfield MSA 2010 and 2011. The income figures are based on median family income derived from data collected during the census for the respective MSA. The income figures are adjusted annually by the Department of Housing and Urban Development to allow for such factors as inflation. The median family income for the Springfield MSA for 2010 and 2011 were \$67,400 and \$69,300, respectively. The median family income for the assessment area is \$58,024.

The distribution of loans by borrower income was reviewed to determine the extent to which the Bank is addressing the credit needs of the area's residents. The Bank was below the aggregate and demographic indicators for borrowers of low- and moderate- income levels for 2010 and 2011 showed a declining trend.

The following table presents the loans originated categorized by the applicants' reported income in relation to the median family income for the MSA in which the property is located. The following table also presents the Bank's HMDA reportable lending performance as well as the 2010 aggregate data (exclusive of Northampton Co-operative Bank). In addition, the table also reflects the percentage of family households in each of the borrower income categories.

Table 5 Distribution of HMDA Loans by Borrower Income (excludes borrowers for which income is not available)							
Median Family Income Level	% Family Distribution Income Level	2010 Bank Lending Data		2010 Aggregate Lending Data		2011 Bank Lending Data	
		#	%	#	%	#	%
Low	14.7	4	2.5	219	4.0	0	0.0
Moderate	15.8	16	9.9	955	17.4	16	13.9
Middle	23.5	38	23.6	1,525	27.7	24	20.9
Upper	46.0	103	64.0	2,801	50.9	75	65.2
Total	100.0	161	100.0	5,500	100.0	115	100.0

Source: 2000 U.S. Census Data; 2010 and 2011 HMDA LARs; 2010 HMDA Aggregate Data

As shown in Table 5, the percentage of home loans originated by the Bank to low-income borrowers during 2010 at 2.5 percent is lower than the percentage of loans reflected in the aggregate data for the same income category and time period at 4.0 percent. While the Bank's lending performance to low-income borrowers is lower than the percentage of low-income families in the assessment area (14.7 percent), parity with demographics is not expected considering the poverty level and housing costs in the assessment area. Also, as previously mentioned in the Description of the Assessment Area, 9.6 percent of the total population are students living in college dormitories.

In 2010, the Bank's lending to moderate-income borrowers at 9.9 percent is significantly lower than the percentage of lending to moderate-income borrowers at 17.4 by the aggregate. This is primarily attributed to the significant competition the Bank faces, including competition from several mortgage companies. The Bank's performance was lower than the percentage of families in the moderate-assessment area (15.8 percent).

In 2011, the volume of loans decreased and distribution of home loans among the borrower income categories was comparable to the prior year as the middle- and upper-income borrowers accounted for the majority of the home loans. However, the proportion of loans to the low-income borrowers decreased from 2.5 percent to 0.0 percent, while moderate-income borrowers increased from 9.9 percent to 13.9 percent. It is noted that the Bank originated five loans in 2011 for which income was unknown. This is normally the case in streamlined refinance transactions available through government programs benefitting low- to moderate-income borrowers.

Also shown in Table 5, upper-income borrowers accounted for the highest proportion of residential lending. The strong penetration in this borrower income category is expected considering that 46.0 percent of the area's families are upper-income. In addition, the aggregate's lending was highest to upper-income borrowers at 50.9 percent. The Bank's middle-income borrowers accounted for the next largest share of loans at 23.6 percent. The Bank's lending was consistent with the percentage of families (23.5 percent) but was below the aggregate lending (27.7 percent) in the area.

Based on the above information, the loan distribution by borrower income meets the standards of satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

This criterion evaluates the distribution of the Bank's loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts. As mentioned previously under the Description of Assessment Area, the Bank's assessment area comprises 35 census tracts: none are low-income; 2 (5.7 percent) moderate-income; 16 (45.7) percent middle-income; 16 (45.7) upper-income and 1 (2.9 percent) is N/A.

Table 6 illustrates the geographic distribution of the Bank's 2010 and 2011 residential mortgage lending within the assessment area by number. For comparison purposes, the table includes the percentage of owner-occupied housing units within each income category and the aggregate market lending data for 2010.

Table 6 Distribution of HMDA Loans by Census Tract Income							
Census Tract Income Level	% Owner- Occupied Housing Units	Bank Lending Data 2010		Aggregate Lending Data 2010		Bank Lending Data 2011	
		#	%	#	%	#	%
Moderate	1.8	0	0.0	56	0.9	0	0.0
Middle	57.8	73	45.3	3,388	55.6	53	43.8
Upper	40.4	88	54.7	2,656	43.5	68	56.2
Total	100.0	161	100.0	6,100	100.00	121	100.0

Source: 2000 U.S. Census; 2010 and 2011 HMDA LARs; 2010 HMDA Aggregate Data

As noted above, the Bank does not have any low-income census tracts and only 2 moderate-income census tracts. One of the moderate-income census tracts is the University of Massachusetts located in Amherst and consists mainly of college dormitories and school facilities. The other moderate-income census tract is located in Ware, a rural community, located over 20 miles from the nearest branch location in Amherst and 28 miles to the main branch in Northampton. Also, there are three major banks in Ware (Country Savings Bank, Bank of America and Ware Cooperative Bank). Northampton Co-operative Bank did not originate any loans in the moderate-income census tract during the examination period.

An analysis of the Bank's residential mortgage originations in 2010 indicates 45.3 percent were originated in middle-income census tracts. The Bank's performance was lower than the aggregate data (55.6 percent) and the owner occupied units (57.8 percent). In 2011, 43.8 percent of the

Bank's residential loans were originated to middle-income borrowers. The strong performance in the middle-income census tracts is not surprising considering these census tracts contain 57.8 percent of the area's owner-occupied housing units. In addition, two of the Bank's four branch offices are located in these middle-income census tracts.

In 2010 and 2011, the upper-income census tracts accounted for the highest proportions of HMDA reportable loans. Again, the strong performance in the upper-income census tracts is not surprising considering that these census tracts contain 40.4 percent of the area's owner-occupied housing units. Also, two of the Bank's four full service branch offices are located in these upper-income census tracts drawing a large number of borrowers from the surrounding areas.

In conclusion, the Bank has an adequate dispersion among the various census tract geographies and meets the standards for satisfactory performance.

5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

Response to CRA Complaints

The Bank has not received any CRA-related complaints during the evaluation period. As a result, this performance criterion is not applicable.

Northampton Co-operative Bank's fair lending performance was reviewed to determine how it conforms to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. A review of the public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to check for fair lending issues. There was no evidence of disparate treatment in the file review.

Specific areas pertaining to prohibited activity, advertising practices, loan review, training, policy review, the Bank's loan application process, and regulations pertaining to the Equal Credit Opportunity Act, Fair Housing Act, and the Home Mortgage Disclosure Act are discussed in the Bank's loan policy.

The Bank takes a pro-active approach to fair lending. All employees are provided with training appropriate to their job description and responsibilities in fair lending issues.

MINORITY APPLICATION FLOW

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 169,661 individuals of which 10.0 percent are minorities. The assessment areas minority and ethnic population is 1.7 percent Black/African American, 3.2 percent Asian, 0.2 percent American Indian, 0.1 percent Hawaiian/Pacific Islander, 3.2 percent Hispanic or Latino and 1.6 percent other.

For 2010 and 2011, the Bank received 343 HMDA reportable loan applications from within its assessment area. Of these applications, 14 or 4.1 percent were received from minority applicants, of which 13 or 92.9 percent resulted in originations. The Bank also received 5 applications or 1.5

percent from ethnic groups of Hispanic origin within its assessment area of which 4 or 80.0 percent were originated.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2010. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the table below for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

MINORITY APPLICATION FLOW								
RACE	Bank 2010		2010 Aggregate Data		Bank 2011		Bank TOTAL	
	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	1	0.5	14	0.2	0	0.0	1	0.3
Asian	4	2.0	130	1.5	3	2.1	7	2.0
Black/ African American	0	0.0	79	0.9	0	0.0	0	0.0
Hawaiian/Pac Isl.	0	0.0	8	0.1	0	0.0	0	0.0
2 or more Minority	0	0.0	2	0.0	0	0.0	0	0.0
Joint Race (White/Minority)	2	1.0	110	1.3	4	2.8	6	1.7
Total Minority	7	3.5	343	4.0	7	4.9	14	4.0
White	192	95.0	6,864	80.6	133	94.3	325	94.8
Race Not Available	3	1.5	1,312	15.4	1	0.8	4	1.2
Total	202	100.0	8,519	100.0	141	100.0	343	100.0
ETHNICITY								
Hispanic or Latino	1	0.5	93	1.1	0	0.0	1	0.2
Not Hispanic or Latino	196	97.0	6,978	81.9	138	97.9	334	97.4
Joint (Hisp/Lat /Not Hisp/Lat)	2	1.0	85	1.0	2	1.4	4	1.2
Ethnicity Not Available	3	1.5	1,363	16.0	1	0.7	4	1.2
Total	202	100.0	8,519	100.0	141	100.0	343	100.0

Source: 2010 and 2011 HMDA/ LAR, 2010 HMDA Aggregate Data

The Bank's performance was below the 2010 aggregate's performance level for both minority and ethnicity. The Bank received 3.5 percent for minorities while the aggregate was 4.0 percent. The percentage of Hispanic applications was 1.5 percent while the aggregate was 2.1 percent.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is deemed to be adequate.

APPENDIX A

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 67 King Street, Northampton, MA 01060."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.